



Media Relations Office for Tennessee

Media Contact: 615.250.5951

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IRS Grants Tax Relief for Tennessee Tornado, Storm Victims

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NASHVILLE — The Internal Revenue Service today announced special tax relief for Tennessee taxpayers in the Presidential Disaster Area that was struck by tornadoes, severe storms and flooding from April 2 through April 8, 2006.

The disaster area consists of fifteen counties: Benton, Cannon, Carroll, Cheatham, Cumberland, Davidson, Dickson, Dyer, Fayette, Gibson, Haywood, Maury, Sumner, Warren and Weakley Counties.

Deadlines for affected taxpayers to file returns, pay taxes and perform other time-sensitive acts falling on or after April 2, 2006, and on or before June 5, 2006, have been postponed to June 5, 2006.

In addition, the IRS will waive the failure to deposit penalty for employment and excise deposits due on or after April 2, 2006, and on or before April 18, 2006, as long as the deposits were made by April 18, 2006. If any affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply during the period from April 2, 2006 to June 5, 2006 (April 2 to April 18, 2006 for failure to deposit penalties). No penalty or interest will be abated for taxpayers that do not have a filing, payment or deposit due date (including an extended filing or payment due date) during this period.

Affected taxpayers will need to identify themselves to the IRS as victims by writing ("Storms/Tornadoes - TN") in red ink at the top of their tax forms or any other documents filed with the IRS. Taxpayers who file electronic returns may use this disaster designation if the tax preparation software contains a "disaster feature."

Covered Disaster Area

The Tennessee counties listed above constitute a covered disaster area for purposes of Treas. Reg. § 301.7508A-1(d)(2) and are entitled to the relief detailed below.

Affected Taxpayers

Taxpayers considered to be affected taxpayers eligible for the postponement of time to file returns, pay taxes, and perform other time-sensitive acts are those taxpayers listed in Treas. Reg. § 301.7508A-1(d)(1), and include individuals who live, and businesses whose principal place of business is located, in the covered disaster area. Taxpayers not in the covered disaster area, but whose books, records, or tax professionals' offices are in the covered disaster area, are also entitled to relief. In addition, all relief workers affiliated with a recognized government or philanthropic organization assisting in the relief activities in the covered disaster area are eligible for relief.

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Grant of Relief

Under sections 6081, 6161, and 7508A, the IRS gives affected taxpayers until June 5, 2006, to file most tax returns (including individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns), or to make tax payments, including estimated tax payments, that have either an original or extended due date falling on or after April 2, 2006, and on or before June 5, 2006.

The IRS also gives affected taxpayers until June 5, 2006, to perform other time-sensitive actions described in Treas. Reg. § 301.7508A-1(c)(1) and Rev. Proc. 2005-27, 2005-20 I.R.B. 1050, that are due to be performed on or after April 2, 2006, and on or before June 5, 2006. This relief includes the filing of Form 5500 series returns, in the manner described in section 8 of Rev. Proc. 2005-27. The relief described in section 17 of Rev. Proc. 2005-27, pertaining to like-kind exchanges of property, also applies to certain taxpayers who are not otherwise affected taxpayers and may include acts required to be performed before or after the period above.

The postponement of time to file and pay does not apply to information returns in the W-2, 1098, 1099 or 5498 series, or to Forms 1042-S or 8027. Penalties for failure to timely file information returns can be waived under existing procedures for reasonable cause. Likewise, the postponement does not apply to employment and excise tax deposits. The IRS, however, will abate penalties for failure to make timely employment and excise deposits, due on or after April 2, 2006, and on or before April 18, 2006, provided the taxpayer made these deposits by April 18, 2006.

To qualify for this relief, affected taxpayers should put the assigned Disaster Designation in red ink at the top of the return, except for Form 5500, where filers should check Box D in Part 1 and attach a statement, following the form's instructions. Individuals or businesses located in the disaster area – or taxpayers outside the area that were directly affected by this disaster – should contact the IRS if they receive penalties for filing returns or paying taxes late.

Casualty Losses

Affected taxpayers in a Presidential Disaster Area have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on other income factors.

Individuals may deduct personal property losses that are not covered by insurance or other reimbursements, but they must first subtract \$100 for each casualty event and then subtract ten percent of their adjusted gross income from their total casualty losses for the year. For details on figuring a casualty loss deduction, see IRS Publication 547, "Casualties, Disasters and Thefts."

Affected taxpayers claiming the disaster loss on last year's return should put the Disaster Designation in red ink at the top of the form so that the IRS can expedite the processing of the refund.

Other Relief

The IRS will waive the usual fees and expedite requests for copies of previously filed tax returns for affected taxpayers who need them to apply for benefits or to file amended returns claiming casualty losses. Such taxpayers should put the assigned Disaster Designation in red ink at the top of Form 4506, "Request for Copy of Tax Return," or Form 4506-T, "Request for Transcript of Tax Return," as appropriate, and submit it to the IRS.

Affected taxpayers who are contacted by the IRS on a collection or examination matter should explain how the disaster impacts them so that the IRS can provide appropriate consideration to their case.

Taxpayers may download forms and publications from the IRS Web site at www.irs.gov or may order them by calling 1-800-TAX-FORM (1-800-829-3676). The IRS toll-free number for general tax questions is 1-800-829-1040.